

RICHARD BLUMENTHAL
ATTORNEY GENERAL



55 Elm Street
P.O. Box 120
Hartford, CT 06141-0120

Office of The Attorney General
State of Connecticut

*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE INSURANCE AND REAL ESTATE COMMITTEE
FEBRUARY 17, 2009*

6444

I appreciate the opportunity to support House Bill 6444, An Act Concerning Automobile Insurance.

This legislation prohibits certain unfair insurance practices including the use of an insured's credit history when determining whether to offer insurance, and unfair territorial distinctions insurance rates where a person lives. It also requires legislative approval of regulations affecting the determination of auto insurance rates.

Particularly in this enormously difficult economy -- when many more consumers encounter credit problems -- poor credit history is a draconian, inaccurate and unfair means of setting insurance rates. It will only aggravate consumer distress in an economic downturn.

House Bill 6444 would bar insurers from using credit history information in deciding whether to provide car insurance to a consumer. Credit difficulties are rising in near epidemic numbers. They are virtually irrelevant -- and certainly unreliable -- as an indication of whether a consumer is a good insurance risk. The legislature already prohibits certain factors in acceptance or rejection decisions, including whether the insured was previously in the insured risk pool, or whether another insurer declined to offer insurance or whether the consumer was involved in one or two recent accidents without conviction of a moving violation. Consumers should be judged on criteria related to driving history, not whether they were unable to pay bills because of unemployment or mortgage difficulties.

As to territorial criteria, this proposal -- over a period of ten years -- reduces the weight provided to the residency of the driver in determining motor vehicle insurance premiums from 75% to 50% of the individual loss cost data and to 50% for state-wide average loss cost data.

Automobile insurance rates in Connecticut remain among the highest in the United States. Excessive rates affect virtually every insurance consumers but hit hardest good drivers who live in the cities and older suburban towns, often drivers -- with incomes below the state average -- who can least afford to pay higher insurance premiums.

Currently, territorial rating cannot be weighted more than 75% of the total rate. This 75% limit was approved by the Insurance Commissioner in the late 1970's in order to reduce the disparity in automobile insurance rates between urban and suburban and rural drivers. This limit

has not succeeded in ensuring that rates are affordable for our lower income residents even with good driver histories. Why should a good driver pay twice as much for insurance because he lives in a city than a driver with the same driving history who lives next door, but across a town line?

This proposal gradually reduces the impact of residence location on insurance rates, thereby seeking common ground between advocates who want to eliminate territorial rating completely and insurers who claim that residence is a relevant underwriting criteria.

I urge the committee's favorable consideration of House Bill 6444.